

# Q2 2014



# San Fernando Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

## San Fernando In Brief

Receipts for San Fernando's April through June sales were 15.1% higher than the same quarter one year ago. Actual sales activity was up 17.5% when reporting aberrations were factored out.

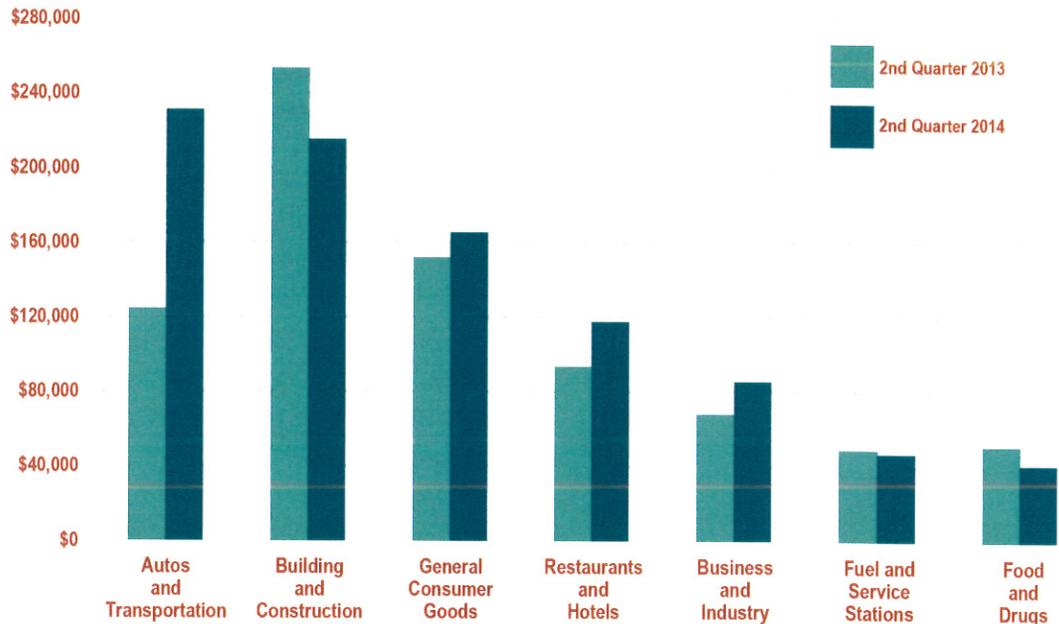
Recent additions that helped boost revenues from the autos & transportation and business & industry sectors were primarily responsible for the current increase.

Onetime accounting adjustments that negatively impacted last year's allocation exaggerated results from quick-service restaurants.

The gains were partially offset by reporting problems that depressed receipts from the building and construction group and a business closeout that reduced returns from grocery stores.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 5.5% over the comparable time period, while the Southern California region as a whole was up 4.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

|                          |                                    |
|--------------------------|------------------------------------|
| Araca Merchandise        | Pool & Electrical Products         |
| Arco                     | Revchem Composites                 |
| Casco                    | Rydell Chrysler Dodge Jeep Ram     |
| El Pollo Loco            | Sams Club                          |
| El Super                 | Southland Lighting                 |
| Global HVAC Distributors | T Mobile                           |
| Goodman Distribution     | TMB Production Supplies & Services |
| Home Depot               | Truman 76                          |
| Honda Lease Trust        | Vallarta Supermarket               |
| Jack in the Box          | Warehouse Shoe Sale                |
| McDonalds                | Western Motor Sport                |
| Nachos Ornamental        |                                    |
| Pep Boys                 |                                    |
| Pharmavite               |                                    |

## REVENUE COMPARISON

One Quarter - Fiscal Year To Date

|                         | 2013-14          | 2014-15            |
|-------------------------|------------------|--------------------|
| Point-of-Sale           | \$790,579        | \$901,756          |
| County Pool             | 82,668           | 103,474            |
| State Pool              | 543              | 683                |
| <b>Gross Receipts</b>   | <b>\$873,791</b> | <b>\$1,005,914</b> |
| Less Triple Flip*       | \$(218,448)      | \$(251,478)        |
| <b>Gross Trans. Tax</b> | <b>\$0</b>       | <b>\$536,947</b>   |

\*Reimbursed from county compensation fund

**California as a Whole**

Excluding onetime payment aberrations the local one cent share of statewide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

**Triple Flip - The End is in Sight**

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state redirected 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

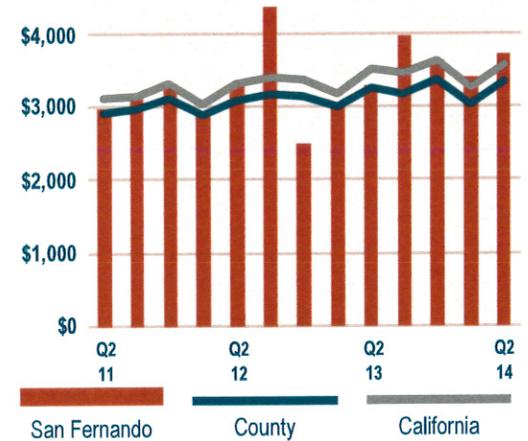
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

**Allocation Formulas Corrected**

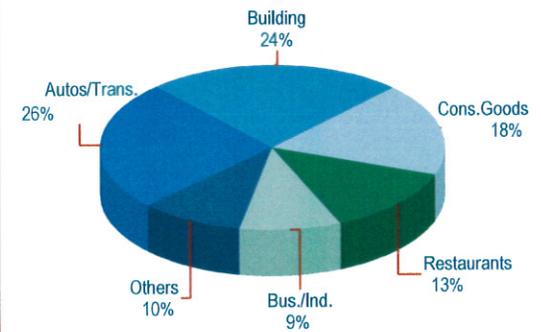
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
San Fernando This Quarter



**SAN FERNANDO TOP 15 BUSINESS TYPES**

| Business Type                             | San Fernando       |              | County       | HdL State    |
|---|--------------------|--------------|--------------|--------------|
|   | Q2 '14             | Change       | Change       | Change       |
| Auto Lease                                | —                  | CONFIDENTIAL | 8.8%         | 15.4%        |
| Auto Repair Shops                         | 16,817             | 9.0%         | 2.1%         | 4.0%         |
| Automotive Supply Stores                  | 26,515             | -7.5%        | 3.7%         | 2.4%         |
| Casual Dining                             | 21,581             | -19.6%       | 5.0%         | 3.7%         |
| Contractors                               | 53,404             | 4.4%         | 7.5%         | 14.4%        |
| Discount Dept Stores                      | —                  | CONFIDENTIAL | 3.3%         | 2.9%         |
| Electrical Equipment                      | —                  | CONFIDENTIAL | 3.4%         | 5.4%         |
| Electronics/Appliance Stores              | 18,050             | 17.4%        | 1.3%         | -1.0%        |
| Grocery Stores Liquor                     | 29,254             | -26.9%       | 4.3%         | 5.7%         |
| Lumber/Building Materials                 | —                  | CONFIDENTIAL | 9.1%         | 9.0%         |
| New Motor Vehicle Dealers                 | —                  | CONFIDENTIAL | 6.7%         | 7.4%         |
| Plumbing/Electrical Supplies              | —                  | CONFIDENTIAL | 15.9%        | 11.2%        |
| Quick-Service Restaurants                 | 93,066             | 50.2%        | 5.9%         | 6.7%         |
| Service Stations                          | 46,313             | -3.4%        | 5.6%         | 6.7%         |
| Shoe Stores                               | 12,215             | -2.2%        | -22.0%       | -21.0%       |
| <b>Total All Accounts</b>                 | <b>\$901,756</b>   | <b>14.1%</b> | <b>3.5%</b>  | <b>2.8%</b>  |
| <b>County &amp; State Pool Allocation</b> | <b>\$104,157</b>   | <b>25.2%</b> | <b>13.6%</b> | <b>12.7%</b> |
| <b>Gross Receipts</b>                     | <b>\$1,005,914</b> | <b>15.1%</b> | <b>4.5%</b>  | <b>3.9%</b>  |